ASX ANNOUNCEMENT

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DEEP DIAMOND DRILLING COMMENCES AT THE CANGALLO COPPER-GOLD DISCOVERY IN PERU

- ***The initial diamond drilling program (two holes for ~1,600m) has commenced.***
- ***Drilling will test the depth extent of copper mineralisation intersected to date, beyond the current limit of drilling (~350m depth) and provide a first look at the geological controls on mineralisation.***
- ***Initial assays expected in 6-8 weeks.***
- ***Stage 3 Reverse Circulation (RC) drilling expected to commence in November.***

AusQuest Limited ("AusQuest" or the "Company") (ASX: AQD) is pleased to advise that the initial diamond drilling program (~1,600m) has commenced at its 100% owned Cangallo Porphyry Copper-Gold Project in southern Peru.

The diamond drilling program is designed to extend the hypogene copper (sulphide) mineralisation intersected to date, at depths below the current level of drilling, and to provide a first look at the geological relationships and controls on the mineralisation, especially the copper mineralised tonalite dykes and veins that were intersected by the Company's previous Reverse Circulation (RC) drilling programs.

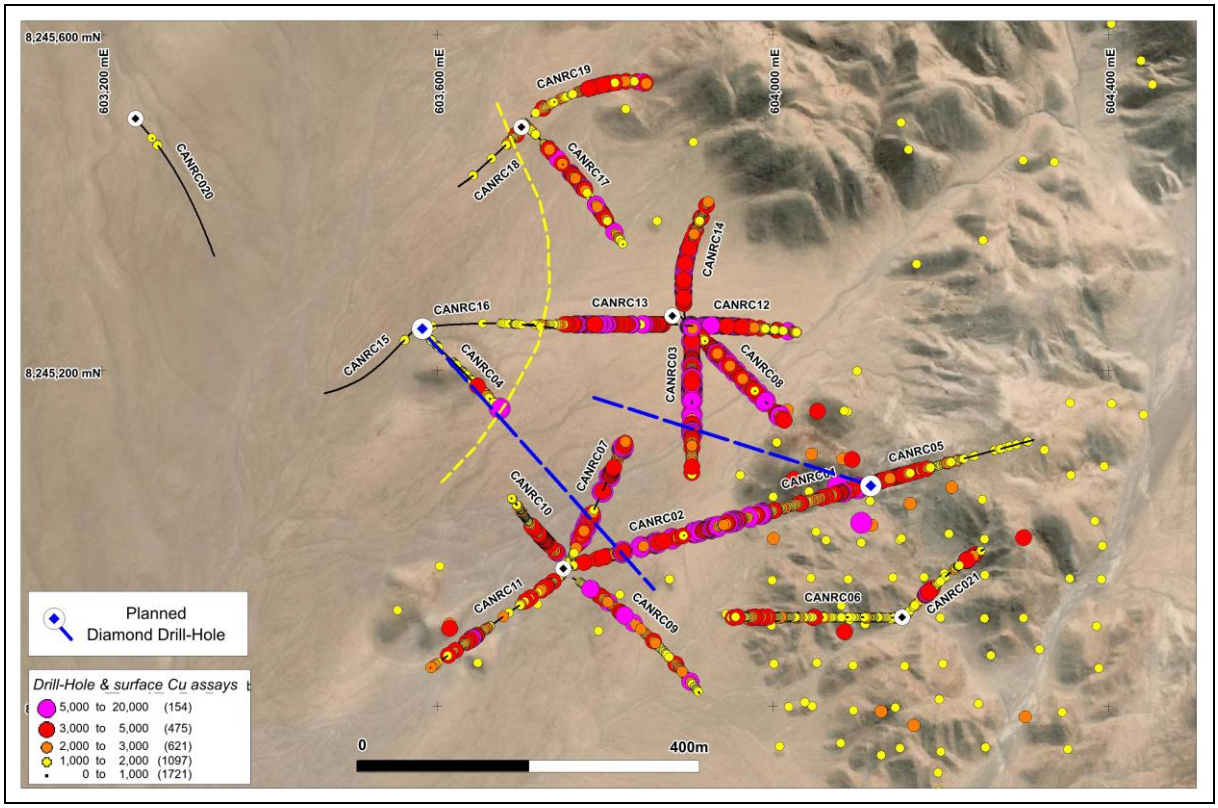

Figure 1: Cangallo Copper Prospect showing planned diamond drill-hole locations.

Most RC drill-holes that were completed as part of the Stage 1 and 2 programs ended in hypogene copper (chalcopyrite) at the depth limit of the drill-rig's capacity (~450m down-hole), suggesting that copper mineralisation is likely to continue beyond its current depth limits (see ASX releases 21st July and 28th August).

Commenting on progress being made at Cangallo, AusQuest's Managing Director, Graeme Drew, said:

"We are excited to be starting to test the potential for hypogene copper below the current level of drilling at Cangallo. We know that porphyry copper systems often have a very large depth extent, so if we are successful in extending the discovery at depth with diamond drilling, this would add significantly to the resource potential of the Cangallo prospect.

"The initial two-hole program will only test a small fraction of the prospect, but it will give us a first look at the geological relationships controlling the copper mineralization, and provide us with valuable data to help vector towards the centre of the system, where we would expect to find better hypogene copper grades.

"Current indications suggest that the centre of the system is likely to be further to the south, which will be tested by the upcoming Stage 3 RC drilling program, that is now expected to start around early November once we have finalized the necessary permits.

"Success with the drill-bit will create significant value for our shareholders and mark a transformative period for the Company. We look forward to keeping the market updated on the results from our drilling."

Cangallo Exploration Results:

The vast majority of copper and gold mineralisation intersected by the maiden RC drilling programs occurs within the volcanic host rocks (andesites and dacites). Copper mineralisation occurs within veins and fractures as well as tonalite dykes intruding the volcanics and is associated with late-stage sericite alteration.

Tonalite dykes that were recognised at surface and in the RC drill-holes are considered to reflect the source of the hydrothermal fluids and copper, however the small volume of dykes is not considered sufficient to explain the amount of alteration and widespread copper distribution that is evident in the area.

This highlights the excellent potential for a large-scale intrusive porphyry stock to occur nearby.

The presence of higher copper grades often found within or proximal to the tonalite dykes suggests that there is also excellent potential for the nearby porphyry stock to be strongly mineralised.

The broad zones of copper mineralisation (such as ***324m @ 0.30% Cu*** *including* ***160m @ 0.45% Cu*** *and* ***330m @ 0.30% Cu*** *including* ***178m @ 0.40% Cu****)* that have been intersected in many drill-holes, occur within the oxide zone (malachite, chrysocolla and brochantite) and could be recoverable by heap leach methods. These copper oxides and, in places, secondary copper sulphides, are extensive both laterally and vertically, and occur from near surface (<20m) to depths well over 200m.

In some drill-holes there is strong evidence for supergene processes being active in the area, raising the possibility of an enriched supergene blanket with higher copper grades occurring somewhere beneath the shallow cover.

Recent geological mapping and rock chip sampling in the south of the prospect has identified highly anomalous copper (>0.5% Cu) and molybdenum values (>10.0ppm Mo) within veins and dykes intruding the volcanics. This association and the recognition of sericite alteration, suggests that the porphyry system that has been intersected in the north, extends for at least a further 1,200m south of the current drilling.

Context:

Peru is the second largest copper producer in the world behind Chile, with around 2.8Mt of copper being mined and processed per annum. The bulk of this production comes from around 10 large copper projects, mainly porphyries, that are located along the Andean Belt that extends from Chile in the south to Ecuador in the north.

Porphyry deposits are typically large (often over 1 billion tonnes of ore) and usually open-cuttable with low waste to ore ratios. The shallower parts of these ore bodies are usually oxide ores that can be processed using heap leach methods, resulting in lower development and operational costs.

There are a number of profitable large-scale operations (Cerro Verde, Cuajone, Toquepala, Quellaveco and new approved developments at Zafranal) located within the Arequipa District where Cangallo is situated, using head grades between 0.20% and 0.40% Cu. These mines have multi-decade mine-lives and are long-lived assets.

The economic viability of the Peruvian resources is often affected by a range of issues including location, altitude, proximity to infrastructure and water, as well as land usage conflicts with local communities.

The Cangallo Project is particularly well located with respect to the above, being close to significant infrastructure, 25km east of the town of Chala and within 10km of the coast. Community consultation has formed part of the Company's exploration process, with no critical issues identified to date.

Peru is a stable country and the government is supportive of new mine developments as they add significantly to the Peruvian economy and the communities where they are located.

Graeme Drew
Managing Director

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COMPETENT PERSON'S STATEMENT

The details contained in this report that pertain to exploration results are based upon information compiled by Mr Graeme Drew, a full-time employee of AusQuest Limited. Mr Drew is a Fellow of the Australasian Institute of Mining and Metallurgy (AUSIMM) and has sufficient experience in the activity which he is undertaking to qualify as a Competent Person as defined in the December 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code). Mr Drew consents to the inclusion in the report of the matters based upon his information in the form and context in which it appears.

FORWARD-LOOKING STATEMENT

This report contains forward looking statements concerning the projects owned by AusQuest Limited. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions. Forward-looking statements are not statements of historical fact

and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward looking statements are based on management's beliefs, opinions and estimates as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

JORC Code, 2012 Edition – Table 1 report, Diamond Drilling at Cangallo in Peru

Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	• *Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.* • *Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.* • *Aspects of the determination of mineralisation that are Material to the Public Report.* • *In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.*	• The entire cored hole is sampled (except for Quaternary cover sequence). Composite samples are being collected over 2 metre intervals • Core is cut in half with half sent for analysis and half retained for geological and quality control purposes • Sample intervals are measured by tape from depth intervals shown on core blocks labeled by the drillers, as per standard industry practice.
Drilling techniques	• *Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).*	• Diamond Drilling to produce continuous core. • HQ3 and NQ3 drill rods used to produce 60.1mm and 45.3mm diameter core respectively. The hole starts with HQ core and changes to NQ at the appropriate depth depending on drilling conditions. • Down-hole surveys will be read at ~ 50m intervals using gyro downhole survey system.
Drill sample recovery	• *Method of recording and assessing core and chip sample recoveries and results assessed.* • *Measures taken to maximise sample recovery and ensure representative nature of the samples.* • *Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.*	• Core recovery is determined by comparing core lengths measured against drilled intervals shown on core blocks and recorded on the logs. • Experienced diamond drillers are engaged to ensure maximum core recovery. • Sample recovery is expected to be high negating any sample bias due to recovery.
Logging	• *Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.*	• Drill core and sample chips are logged by experienced geologists to identify key rock types, alteration and mineralisation styles.

Criteria	JORC Code explanation	Commentary
	• *Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.* • *The total length and percentage of the relevant intersections logged.*	• Core logging is qualitative with visual estimates of mineralisation made for later comparison with assay results. • All core will be oriented using Core master system to enable structural measurements to be made on veins, fractures and dykes where appropriate. • All structural elements of the core are logged by a geotechnician and Alpha and Beta angles are recorded with a Kenometer. These are then entered into the structural data base • All core will be logged and photographed wet and dry.
Sub-sampling techniques and sample preparation	• *If core, whether cut or sawn and whether quarter, half or all core taken.* • *If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.* • *For all sample types, the nature, quality and appropriateness of the sample preparation technique.* • *Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.* • *Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.* • *Whether sample sizes are appropriate to the grain size of the material being sampled.*	• Samples are collected by cutting the core in half along its length and sampling over 2 metre intervals. In sections where core cannot be cut, representative core chips are collected for assay. • Duplicate samples are collected from the core every 113th sample for quality control. The duplicated sample is from the same length and a quarter of the core is used as the original sample with 30% of the core used as the original and 30% used as the "duplicate". 40% is retained in the core box. • The sample sizes are appropriate for the geological materials being sampled. • Specific Gravity readings are collected every10 metres and in changes of lithology. Readings are collected from a 10cm cut length of whole core that is measured in calibrated beaker for water displacement
Quality of assay data and laboratory tests	• *The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.* • *For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.* • *Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.*	• Assaying of the drill samples is by standard industry practice. • The samples are sorted, dried, crushed then split to obtain a representative sub-sample which is then pulverized. • A portion of the pulverized sample is digested using a four acid digest (Hydrofluoric, Nitric, Hydrochloric and Perchloric) which approximates a total digest for most elements. Some refractory minerals are not completely dissolved.

Criteria	JORC Code explanation	Commentary
		• Inductively Coupled Plasma Mass Spectroscopy (ICP-MS) will be used to measure Ag, Al, As, Ba, Be, Bi, Ca, Cd, Ce, Co, Cr, Cs, Cu, Fe, Ga, Ge, Hf, In, K, La, Li, Mg, Mn, Mo, Na, Nb, Ni, P, Pb, Rb, Re, S, Sb, Sc, Se, Sn, Sr, Ta, Te, Th, Ti Tl, U, V, W, Y, Zn, Zr, • Au assays will be provided by 30g fire assay with AA finish. • Every 2 metre composite sample is also submitted for Hyperspectral analysis using a TerraSpec instrument and uploaded into the aiSIRIS™ software for mineral identification and spectral output. • Assays are provided by ALS del Peru in Lima which is a certified laboratory for mineral analyses. Analytical data is transferred to the company via email. • Data from the laboratory's internal quality procedures (standards, repeats and blanks) are provided to check data quality. • The Company has a QA/QC system allocated randomly to a percentage of every 100 samples with the following ratios: duplicate samples 6% (~ every 15), coarse blanks 3% basis (~every 30), fine blanks 3%, and ore standards 3%.
Verification of sampling and assaying	• *The verification of significant intersections by either independent or alternative company personnel.* • *The use of twinned holes.* • *Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.* • *Discuss any adjustment to assay data.*	• N/A for this report. • All primary sample data will be recorded onto a printed sheet on site and uploaded to a site laptop, all geological data is recorded at the logging area on a site laptop and downloaded daily onto an external backup.
Location of data points	• *Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.* • *Specification of the grid system used.* • *Quality and adequacy of topographic control.*	• Drill hole collars including elevation are located by hand held GPS to an accuracy of approximately 5m. • Collars are then located on completion of the program with centimetre scale precision using a differential GPS system calibrated to the on-site registered surveyed datum points • Down hole surveys on angled holes are carried out every 50m down hole, and at the end of the hole. • All surface location data are in WGS 84 datum, UTM

Criteria	JORC Code explanation	Commentary
		zone 18S. • Two registered surveyed datum points have been established at site and these points are registered in the Peruvian national grid system by a registered survey group GEOM
Data spacing and distribution	• *Data spacing for reporting of Exploration Results.* • *Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.* • *Whether sample compositing has been applied.*	• Diamond drill-holes are positioned to test for hypogene mineralization beneath previous RC drill-holes. No systematic diamond drilling has been undertaken.
Orientation of data in relation to geological structure	• *Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.* • *If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.*	• Any bias due to the orientation of the drilling is unknown at this early stage of exploration.
Sample security	• *The measures taken to ensure sample security.*	• Sample security is managed by the operator of the Project. Procedures match with Industry best practice. • Samples are collected into securely tied bags and placed into cable-tied plastic bags for transport to the laboratory. Each sample batch has a sample submission sheet that lists the sample numbers and the work required to be done on each sample. • Samples will be transported to the laboratory by company vehicle using trusted company personnel. • Sample pulps (after assay) are held by the laboratory and returned to the company after 90 days.
Audits or reviews	• *The results of any audits or reviews of sampling techniques and data.*	• No reviews or audits of the sampling techniques or data have been carried out to date.

Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
Mineral tenement and land tenure status	• *Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.* • *The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.*	• The Cangallo project is located approximately 25 km east of the town of Chala in the south of Peru. • The Cangallo project comprises 14 granted mineral concessions. The tenements are held by Questdor which is a 100% subsidiary of AusQuest Limited. • There are no major heritage issues to prevent access to the tenements. A drill permit (FTA) has been provided by INGEMMET for the drilling program following environmental, and community approvals.
Exploration done by other parties	• *Acknowledgment and appraisal of exploration by other parties.*	• No historic exploration data is available.
Geology	• *Deposit type, geological setting and style of mineralisation.*	• The Cangallo project is targeting Porphyry deposits along the coastal belt of southern Peru. These are large scale disseminated copper (and gold) deposits found within orogenic belts that surround the Pacific Rim. The deposits can be really large requiring significant drilling to evaluate.

Drill hole Information	• *A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes:*
	  ○ *easting and northing of the drill hole collar*
	  ○ *elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar*
	  ○ *dip and azimuth of the hole*
	  ○ *down hole length and interception depth*
	  ○ *hole length.*
	• *If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.*
		• All relevant drill hole data and information are provided below.

Data aggregation methods	• *In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.*	• N/A for this report.

Criteria	JORC Code explanation	Commentary
	• *Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.* • *The assumptions used for any reporting of metal equivalent values should be clearly stated.*	
Relationship between mineralisation widths and intercept lengths	• *These relationships are particularly important in the reporting of Exploration Results.* • *If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.* • *If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').*	• N/A for this report.
Diagrams	• *Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.*	• All drill holes are shown on appropriate plans and included in the ASX release.
Balanced reporting	• *Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.*	• N/A for this report – no assay data reported.
Other substantive exploration data	• *Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.*	• The relationship between current drilling and previously reported exploration data is shown in the ASX release.
Further work	• *The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).* • *Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.*	• Future diamond drilling will be dependent on current drilling results.

PLANNED DRILL HOLE LOCATIONS

Planned Hole ID	Easting	Northing	RL	Azimuth	Dip	Depth (m)
CANDD001	604116	8245077	1183	290	-65	800
CANDD002	603582	8245242	1164	140	-60	800

Projection: WGS84, Zone 18S